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important, however, was the withdrawal of the notes of the so-called national banks. These notes had reached an amount of 34,420,000 yen in April, 1880, and still stood at 29,501,484 yen at the close of 1885, when the notes of the Bank of Japan had begun to enter into circulation.

It was obvious that the new convertible notes could not be made to circulate in competition with a mass of inconvertible paper, forming a cheaper method of making payments. Provision was made, therefore, for the assumption by the Bank of Japan of the entire note liability of the national banks. These banks were required to turn over their lawful money reserves to the Bank of Japan, and in addition to pay each year to that institution from their profits an amount equal to two and one-half per cent, of their note issues. These sums were to be invested in securities and the interest was to be applied to the retirement of the notes of the national banks. Notes received in this way by the Bank of Japan were to be delivered to the department of finance for cancellation, and thereupon the bonds deposited as security were to be restored to the banks and the bond-secured system was to die a quiet death.¹ If, after fifteen years, there still remained national bank-notes which had not been redeemed, the bonds in the custody of the Bank of Japan were to be sold to afford the means of redemption.

These measures, put in force by Imperial ordinance of May 5, 1883, were soon supplemented by others. The Bank of Japan, which at the close of 1887 had already notes in circulation to the amount of 53,454,803 yen (\$26,790,000), was authorized by the ordinance of August 1, 1888, to increase the limit of its authorized circulation to 70,000,000 yen. This amount, covered by securities, might be exceeded

obtain these funds. In 1885 several special taxes were levied, from which one-half of the surplus revenue " was devoted to the redemption of inconvertible paper money, while the other half was added to the reserve fund with, the object of employing it for securing the importation of specie from abroad."—The Adoption of the Gold Standard in Japan, 70. ¹ *Ibid.*, 80.